



Buhler Industries Inc.

Corporate Office
1201 Regent Avenue West
Winnipeg, Manitoba
Canada R2C 3B2
Tel. (204) 661-8711
Fax (204) 654-2503
Internet: www.buhler.com

NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of Buhler Industries Inc. and the accompanying interim consolidated balance sheet as at June 30, 2004 and the interim consolidated statements of earnings, retained earnings and cash flows for the nine month period then ended are the responsibility of the Company's management. These consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Gislason Targownik Peters.

The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian generally accepted accounting principles.

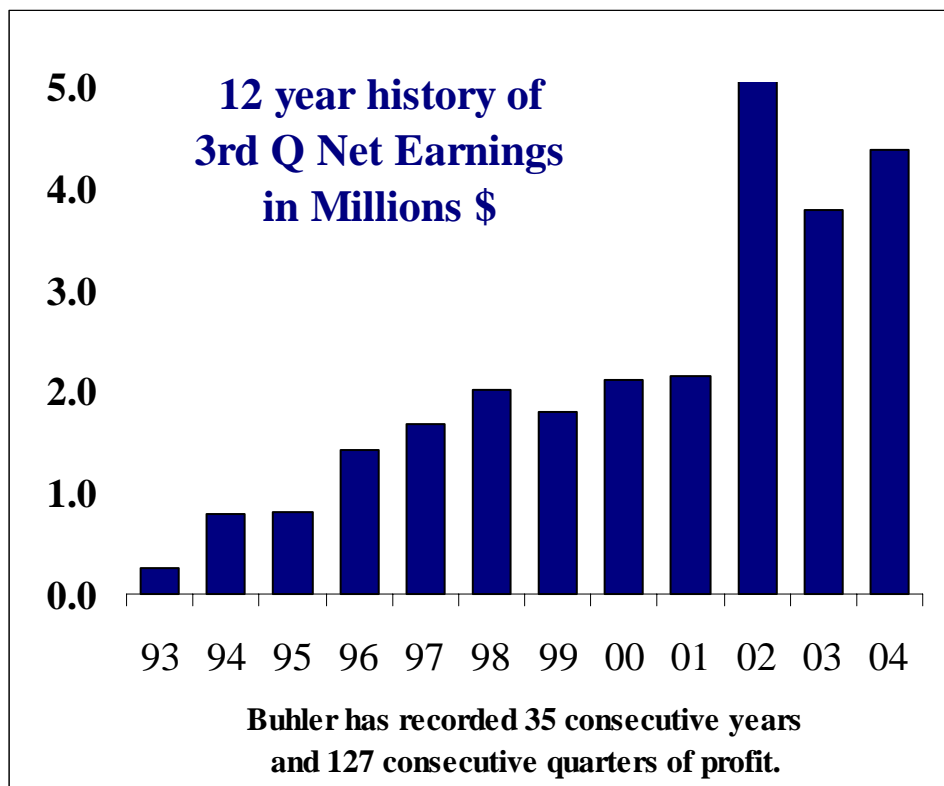
____/d/ J. Buhler _____
John Buhler
Chief Executive Officer
Winnipeg, Canada
July 21, 2004

____/d/ J. H. Friesen _____
James H. Friesen
Chief Financial Officer
Winnipeg, Canada
July 21, 2004

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3rd Quarter report

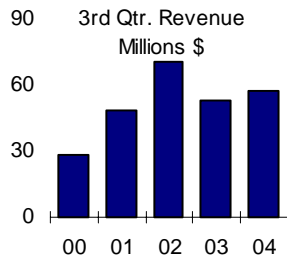
June 30, 2004



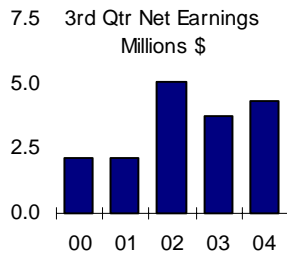
A Leading Manufacturer and Distributor of Farm Equipment

Management Discussion and Financial Analysis

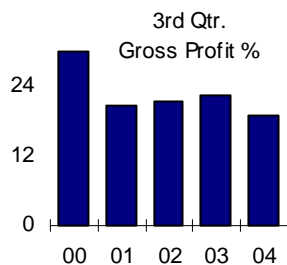
Revenue for the third quarter increased by 8.4% to \$57.7 million compared with \$53.3 million last year. Revenue for nine months increased by 15.6% to \$162.7 million compared with \$140.7 million last year. Tractor sales accounted for most of the increase. Our core products continue to experience sales increases in areas which are not as affected by the BSE (Mad Cow) disease.



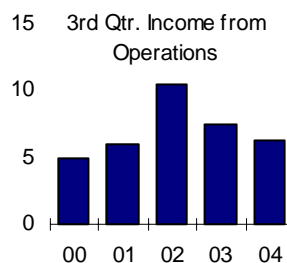
Net Earnings for the third quarter increased by 15.3% to \$4.4 million (\$0.17 per share) compared with \$3.8 million (\$0.16 per share) last year. Net earnings for 9 months increased by 13.9% to \$10.4 million (\$0.42 per share) compared with \$9.1 million (\$0.40 per share) last year. The gain on the sale of capital assets contributed to the increase in net earnings. Recent unprecedented steel price increases are continuing to have a negative effect on net earnings. There were 25 million shares outstanding on June 30, 2004 compared with 23 million last year.



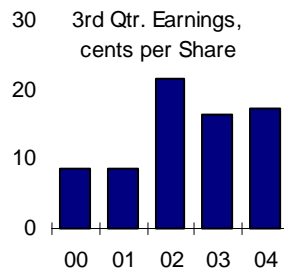
Gross Profit for the third quarter reduced to \$10.8 million (18.7% of revenue) compared with \$11.9 million (22.4% of revenue) last year. Gross profit for 9 months reduced to \$31.4 million (19.3% of revenue) compared with \$31.7 million (22.5% of revenue) last year. The drop in gross profit is the result of the continuing weak US dollar and the recent, unprecedented increases in the cost of steel. As a result we have increased our selling prices in order to recoup a portion of these additional costs, however, we expect that gross margins will continue to range between 18% - 20% for the next several quarters.



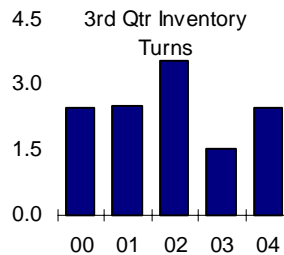
Income from Operations reduced to \$6.3 million compared with \$7.5 million last year. This is the direct result of costs incurred due to the significant increases in steel prices, lingering effects of the weakened US dollar and the "Mad Cow" crisis.



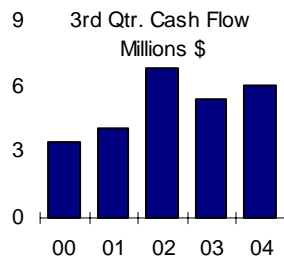
Earnings per Share have increased in spite of the increased number of shares outstanding. Two million additional shares were issued through the exercise of options during the second quarter of this year. There are now exactly 25 million shares outstanding compared with 23 million last year.



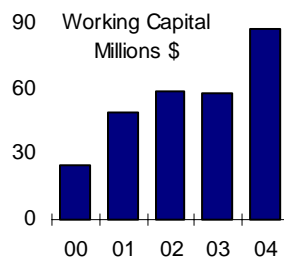
Inventory turns improved in the second quarter and again in this third quarter. Inventory is now at the lowest level in 24 months. Most of the recent decrease resulted from a reduction in tractor inventory.



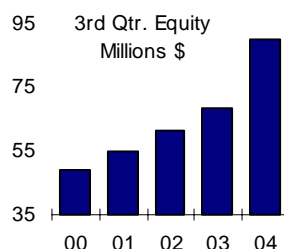
Cash Flow for the third quarter increased to \$6.0 million, compared with \$5.4 million last year. Cash flow is the sum of net after tax earnings plus amortization. The healthy cash flow allows the Company to pay bills promptly and take advantage of all cash discounts.



Working Capital of \$88 million increased by 52% compared with last year's \$58 million. The Company is always on the lookout for acquisitions that will compliment the existing lines. The healthy working capital combined with the Company's line of credit provides adequate cash reserves for expansion and future acquisitions.



Equity has increased for 35 consecutive years as a result of steady earnings. Equity now stands at \$90.4 million or \$3.62 per share compared with \$68.3 million last year or \$2.97 per share. The increase in share capital from \$17.9 million to \$30 million contributed to this sizeable increase in equity.



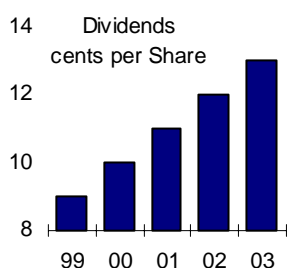
Management Discussion and Financial Analysis

Buhler Versatile tractors are continuing to increase in exposure and accessibility, as we add more high quality dealers in North America.

Short Line Products continue to show slow and steady increases in sales in spite of the impact of the BSE (Mad Cow Disease) and the continuing weak US dollar.

Research and Development continues at a pace of approximately \$3.5 million annually. The commitment to invest in new product development is essential in order to be able to look forward to future growth in revenue and profit.

Dividends increased for the 11th consecutive year and the Company expects to continue the practice of increasing dividends. The dividend of \$0.13 per share for fiscal year ending September 30, 2003 was paid on January 14, 2004.



Looking Forward we remain cautious in forecasting future increases in earnings due to our reduced gross margins, even though the farm economy seems to be strengthening. We are forecasting fiscal 2004 earnings to be \$0.51 to \$0.53 per share.

Craig Engel
President and Chief Operating Officer.
 June 30, 2004

Consolidated Statement of Earnings and Retained Earnings

Buhler Industries Inc. 3rd Quarter 2004

Unaudited (000's except per share amounts)

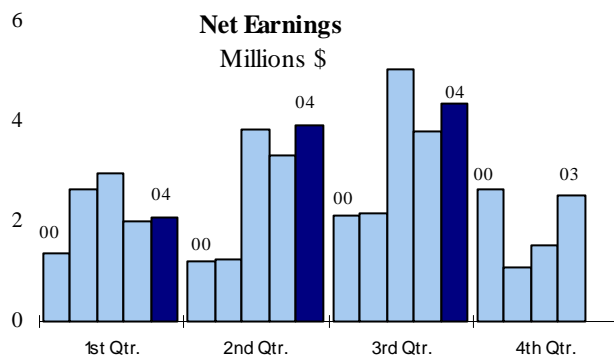
	Three Months Ended June 30		Nine Months Ended June 30	
	2004	2003	2004	2003
Revenue	\$ 57,742	\$ 53,250	\$ 162,679	\$ 140,706
Cost of Goods Sold	46,922	41,305	131,267	109,038
Gross Profit	10,820 18.7%	11,945 22.4%	31,412 19.3%	31,668 22.5%
Selling & administration expenses	4,552 7.9%	4,460 8.4%	12,844 7.9%	11,636 8.3%
Income From Operations	6,268 10.9%	7,485 14.1%	18,568 11.4%	20,032 14.2%
Loss (gain) sale capital assets	(1,650)	3	(1,953)	(594)
Interest expense (income)	(128)	155	11	641
Amortization	1,675	1,661	5,013	4,928
Research & Development	968	902	2,506	2,937
Non-controlling interest	82	-	261	91
Earnings Before Taxes	5,321 9.2%	4,764 8.9%	12,730 7.8%	12,029 8.5%
Provision for incomr taxes	960	982	2,361	2,926
NET EARNINGS	\$ 4,361 7.6%	\$ 3,782 7.1%	\$ 10,369 6.4%	\$ 9,103 6.5%
Retained Earnings, begin period	56,006	46,667	52,988	44,118
Dividends	-	12	(2,990)	(2,760)
Retained Earnings, End of Period	\$ 60,367	\$ 50,461	\$ 60,367	\$ 50,461
Earnings per share (fully diluted)	\$ 0.17	\$ 0.16	\$ 0.42	\$ 0.40

Consolidated Statement of Cash Flow

Buhler Industries Inc. 3rd Quarter 2004

Unaudited (000's)

9 months ended June 30	2004	2003
Cash provided by (used in) operating activities		
Net earnings	10,369	9,103
Add (deduct) non-cash items		
Amortization	5,013	4,928
Loss (gain) on disposal of assets	(1,953)	(594)
Loss (gain) on foreign exchange	404	312
Future income taxes	(1,603)	5
	<u>12,230</u>	<u>13,754</u>
Net change in non-cash working capital balances*	<u>19,675</u>	<u>(34,298)</u>
	<u>31,905</u>	<u>(20,544)</u>
Investing activities		
Purchase of capital assets	(2,041)	(6,068)
Proceeds (sale of capital assets)	4,420	1,814
Investments	2	-
	<u>2,381</u>	<u>(4,254)</u>
Financing activities		
Issuance of share capital	12,120	-
Increase in non-controlling interest	(4,323)	(1,757)
Repayment of long term debt	(2,738)	-
Advances (repayment) from related party	(11,179)	(5,067)
Dividends paid	<u>(2,990)</u>	<u>(2,760)</u>
	<u>(9,110)</u>	<u>(9,584)</u>
Foreign exchange gain (loss) on cash held in foreign currency	<u>(404)</u>	<u>(312)</u>
Net cash used in the period	<u>24,772</u>	<u>(34,694)</u>
Bank debt, beginning	<u>(16,560)</u>	<u>(14,258)</u>
Bank balance (debt) end of period	<u>8,212</u>	<u>(48,952)</u>
*Net change in non-cash working capital balances is comprised of		
Accounts receivable	(10,078)	(11,821)
Inventories	24,740	(21,258)
Prepaid expenses	210	(570)
Accounts payable and accrued	4,803	(649)
Net cash used	<u>19,675</u>	<u>(34,298)</u>



Earnings History

The chart to the left indicates our return to a positive trend of consecutive increases in quarterly earnings.

Consolidated Balance Sheet

Buhler Industries Inc. 3rd Quarter 2004

Unaudited (000's)

ASSETS	as at June 30	2004	2003
Current assets			
Cash		8,212	-
Accounts receivable		\$ 50,772	\$ 51,009
Inventories		65,755	91,619
Prepaid expenses		873	1,476
Total current assets		125,612	144,104
Capital assets		38,015	43,836
Future income taxes		3,983	1,775
Investments - at cost		173	154
Total assets		\$ 167,783	\$ 189,869
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities			
Bank indebtedness		\$ -	\$ 48,952
Account payable & accrued		34,713	34,158
Current portion, long term		3,280	3,180
Total current liabilities		37,993	86,290
Advances from related party		-	6,568
Long term debt (unsecured)		26,652	28,670
Total liabilities		64,645	121,528
Non-controlling interest		12,771	-
SHAREHOLDERS' EQUITY			
Share capital		30,000	17,880
Retained earnings		60,367	50,461
Total shareholders equity		90,367	68,341
Total Liabilities and equity		\$ 167,783	\$ 189,869

Notes

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the accounts of the Company and all of its subsidiaries, including a 50% joint venture interest in Bradley Steel Processors Inc., which is accounted for using proportionate consolidation.

(b) Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) and net realizable value. It is the Company's policy to record provisions for obsolete and slow moving inventory based on management estimates. These estimates are necessarily subject to a degree of measurement uncertainty.

(c) Capital assets and amortization

Capital assets are recorded at cost less accumulated amortization and related investment tax credits. Amortization is provided over the estimated useful lives using the following rates and methods:

Buildings	4 to 5%	Straight line
Equipment	20 to 30%	Declining balance
Computers	30%	Declining balance
Software and tools	100%	Year acquired

(d) Foreign currency translation

The accounts of the United States subsidiaries, which are considered

integrated foreign operations, have been translated into Canadian dollars on the following basis:

- 1) monetary assets and monetary liabilities at the rate of exchange as of the balance sheet date;
- 2) non-monetary assets and related amortization at rates prevailing at dates of transactions;
- 3) revenue and expense items, other than amortization, at the average rate for the reporting period.

The resulting currency translation gains and losses are included in earnings.

(e) Financial instruments

Foreign exchange and interest rate risk

These are the risks to the Company's earnings that arise from fluctuations in interest rates and foreign exchange rates. The Company does not use any derivative financial instruments to reduce its exposure to interest rate or foreign exchange rate risk.

Other risks

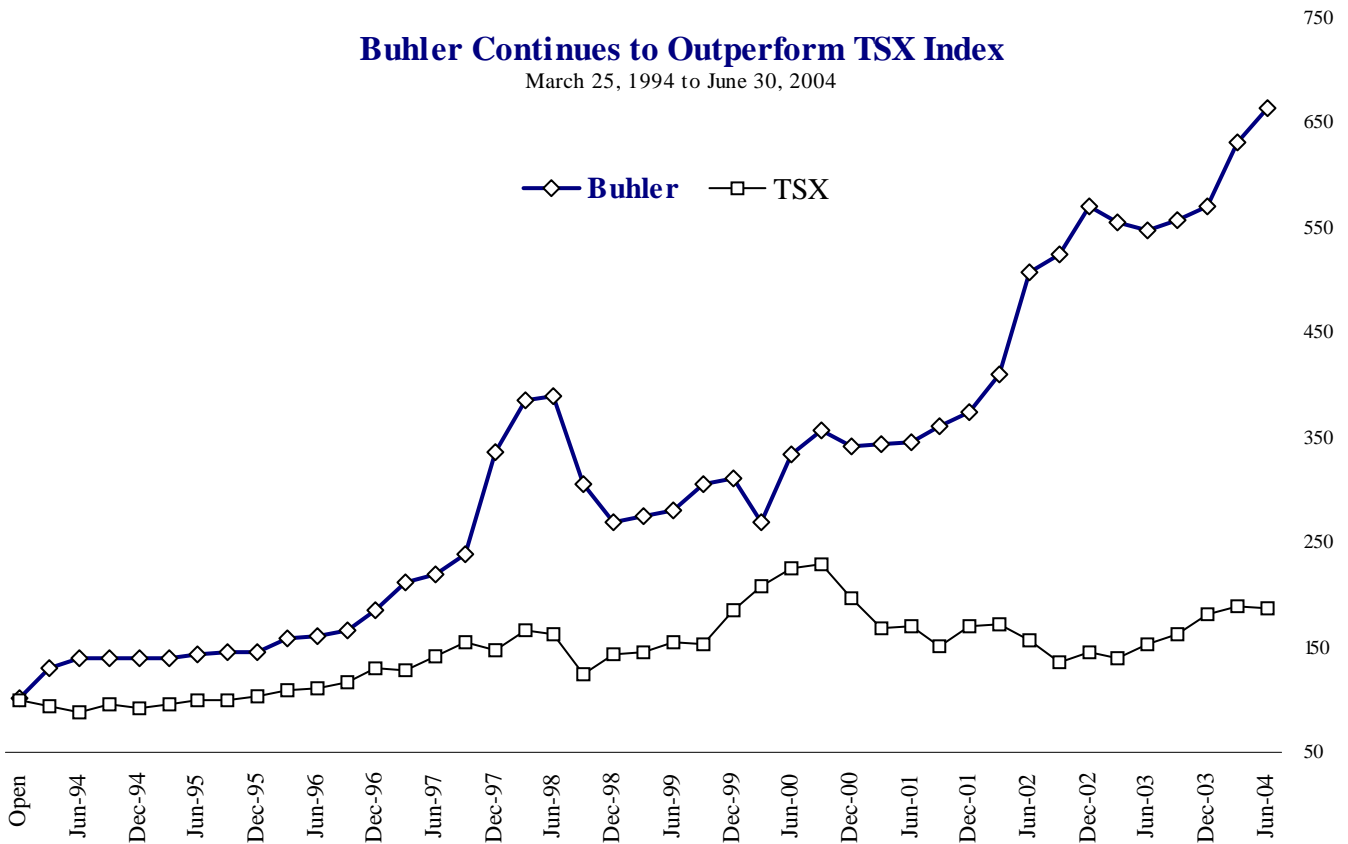
The Company is exposed to credit risk on its accounts receivable. Going forward, as part of the Company's risk management, the Company will assume some risk in insuring some of its widely held assets.

Fair value

The carrying values of financial assets and financial liabilities are considered to approximate fair value unless otherwise disclosed.

Buhler Continues to Outperform TSX Index

March 25, 1994 to June 30, 2004



Buhler Revenue

Five year average for past 20 years

